



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT OF THE TRANSPORTATION CABINET**

**Made as Part of the Statewide Single Audit  
of the Commonwealth of Kentucky**

**For the Year Ended June 30, 2000**

**EDWARD B. HATCHETT, JR.  
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**EXECUTIVE SUMMARY**  
**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS**  
**AUDIT OF THE TRANSPORTATION CABINET**  
**FOR THE YEAR ENDED JUNE 30, 2000**

**BACKGROUND:**

The Federal Single Audit Act of 1984, subsequent amendments, and corresponding regulations, requires the auditing of financial statements and the compliance and internal controls applicable to federal moneys received by the Commonwealth of Kentucky. To comply with these requirements we audited internal controls and compliance at both the central and agency level. This summary is on our audit of one organizational unit of the Commonwealth, the Transportation Cabinet.

**EXPENDITURES:**

The Transportation Cabinet expended federal awards in the following manner:

- \$525,568,473 in cash from 3 federal grantors

**SUMMARY OF AUDITOR'S RESULTS:**

**Financial Statement Accounts**

An outside certified public accounting firm conducted the financial statement audit, which disclosed no reportable audit findings.

**Federal Awards and Schedule of Expenditures of Federal Awards**

Compliance: No instances of noncompliance.

Internal Control Over Compliance: One (1) Other Matter Comment



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## **INTRODUCTION**





**TRANSPORTATION CABINET  
INTRODUCTION  
FOR THE YEAR ENDED JUNE 30, 2000**

**Introduction**

The Auditor of Public Accounts (APA), acting as principal auditor in conjunction with various certified public accounting firms, annually performs a statewide single audit of the Commonwealth of Kentucky. This audit allows the Commonwealth to comply with federal audit requirements as set forth in the Single Audit Act of 1984, as amended by Public Law 104-156, and the regulations contained in the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Schedule of Expenditures of Federal Awards**

This report contains the Schedule of Expenditures of Federal Awards for the Transportation Cabinet. The Notes to the Schedule of Expenditures of Federal Awards follows the Schedule to provide more detailed information on certain aspects of the expenditures, such as the amount given to subrecipients.

Since not all state agencies use the Management Administrative Reporting System (MARS) Subsystems for Projects, the APA requested the Transportation Cabinet to prepare worksheets of federal financial assistance, both cash and noncash. The source of these worksheets included MARS, agency accounting systems, agency manual records, etc. The Transportation Cabinet was also asked to reconcile the worksheets to MARS and to federal grantor reports. These worksheets were compiled into the accompanying Schedule of Expenditures of Federal Awards.

**Schedule of Findings and Questioned Costs**

The Schedule of Findings and Questioned Costs consists of three sections:

- Summary of Auditor's Results
- Financial Statement Findings
- Federal Award Findings and Questioned Costs

Each audit finding number and the audit finding's classification (as reportable, material, or other matters) is provided as part of the audit opinion summary. Major programs audited are listed on the Summary of Auditor's Results. The second part is the Financial Statement Findings and Questioned Costs. This part lists all of the audit findings related to the financial statements. The third part, the Federal Award Findings and Questioned Costs, lists all findings related to federal awards. Generally, the state agency, CFDA number and program, federal agency, pass-through agency, and the compliance area the finding relates to are presented. In both parts two and three, reportable conditions and reportable instances of noncompliance are presented first, then material weaknesses and material instances of noncompliance, followed by other matters.

**TRANSPORTATION CABINET  
INTRODUCTION  
FOR THE YEAR ENDED JUNE 30, 2000  
(CONTINUED)**

**Summary Schedule of Prior Audit Findings**

Audit findings reported in the Schedule of Findings and Questioned Costs for the fiscal year ended June 30, 1999 (as well as any previous findings which have not been resolved) are reported in the agency's Summary Schedule of Prior Audit Findings for the fiscal year ended June 30, 2000. If the APA determines the agency's Summary Schedule of Prior Audit Findings materially misrepresents the status of any prior audit finding, a new audit finding is issued and reported in the Schedule of Findings and Questioned Costs.

The Summary Schedule of Prior Audit Findings is organized based on whether the prior year finding was reportable, material, or other matter. The findings of each classification are categorized as (1) fully corrected, (2) not corrected or partially corrected, (3) corrective action taken differs significantly from corrective action previously reported, or (4) finding no longer valid. If a finding has been reclassified from material to reportable, for instance, the finding will appear in the material finding section of the summary schedule and the comment will indicate the reclassification. In the following year, the finding will appear in the reportable section of the summary schedule.

**Audit Approach**

Our audit was conducted in accordance with the Single Audit Act Amendments of 1996, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, *Government Auditing Standards* (also referred to as the Yellow Book), and generally accepted auditing standards. The scope of the statewide single audit for the year ended June 30, 2000 included:

- An audit of the general-purpose financial statements and required supplementary schedules in accordance with generally accepted government auditing standards;
- An audit of supplementary Schedule of Expenditures of Federal Awards in accordance with generally accepted government auditing standards;
- An audit of the internal control applicable to the Transportation Cabinet, to the extent necessary to consider and test the internal accounting and administrative control systems as required; and
- A selection and testing of transactions and records relating to each major federal financial assistance program to obtain reasonable assurance that the Transportation Cabinet administers its major federal financial assistance programs in compliance with laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures or on the Commonwealth's general-purpose financial statements.

**TRANSPORTATION CABINET  
INTRODUCTION  
FOR THE YEAR ENDED JUNE 30, 2000  
(CONTINUED)**

**Audit Approach (Continued)**

The APA conducted the audit of internal controls, focusing on the following objective:

- Determining if the Transportation Cabinet has internal controls to provide reasonable assurance that it is managing the federal assistance programs in compliance with applicable laws and regulations.

**List Of Abbreviations/Acronyms Used In This Report**

APA	Auditor of Public Accounts
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CPA	Certified Public Accountant
FHWA	Federal Highway Administration
FY	Fiscal Year
KAR	Kentucky Administrative Regulations
KRS	Kentucky Revised Statutes
LLP	Limited Liability Partnership
MARS	Management Administrative Reporting System
MRDB	Management Reporting Data Base
NA	Not Applicable
OMB	United States Office of Management and Budget
TC	Transportation Cabinet
U.S.	United States

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**TRANSPORTATION CABINET  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FEDERAL ASSISTANCE PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2000**

State Agency				
Federal Grantor		Pass - Through	Expenditures	
CFDA #/ Program Title		Grantor's #	Cash	Noncash
<b><u>U.S. Department of Transportation</u></b>				
<b>Direct Programs:</b>				
20.106	Airport Improvement Program (Note 6)	NA		
20.205	Highway Planning and Construction (Note 4 & 5)	NA	\$ 517,340,829	
20.218	National Motor Carrier Safety	NA	2,156,532	
20.308	Local Rail Freight Assistance (Note 6)	NA		
20.505	Federal Transit-Metropolitan Planning Grants (Note 7)	NA	283,688	
20.507	Federal Transit - Formula Grants (Note 7)	NA	462,471	
20.509	Formula Grants for Other Than Urbanized Areas (Note 7)	NA	4,305,006	
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities (Note 7)	NA	995,615	
<b>Passed Through From Department of State Police:</b>				
20.600	State and Community Highway Safety (Note 2)	Various	10,000	
<b><u>U.S. Department of Energy</u></b>				
<b>Passed Through From Natural Resources and Environmental Protection Cabinet:</b>				
81.041	Kentucky Energy Program (Note 2)	Various	4,648	
<b><u>U.S. Federal Emergency Management Agency</u></b>				
<b>Passed Through From Department of Military Affairs:</b>				
83.544	Public Assistance Grants (Note 2)	PA-1163	9,684	
<b>SUBTOTAL TRANSPORTATION CABINET</b>			\$ 525,568,473	

See accompanying notes to the Schedule Of Expenditures Of Federal Awards

**TRANSPORTATION CABINET**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2000**

**Note 1 - Purpose of the Schedule and Significant Accounting Policies**

**Purpose of the Schedule** - OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires a Schedule of Expenditures of Federal Awards showing each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance.

**Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133. As defined in the Circular, federal financial assistance “. . . means assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . ” It includes awards received directly from federal agencies, or indirectly through other units of state and local governments. Accordingly, the accompanying schedules include the cash federal financial assistance programs; the Transportation Cabinet had no noncash federal financial assistance programs for the year ended June 30, 2000.

**Reporting Entity** - The accompanying schedule includes all federal financial assistance programs administered by the Transportation Cabinet. The Transportation Cabinet is an organizational unit of the Commonwealth of Kentucky as defined by KRS 12.010 and is included in the Commonwealth entity for financial reporting purposes.

**Basis of Accounting** - The cash expenditures on the accompanying are presented primarily on the basis of cash disbursements as modified by the application of KRS 45.229. Consequently, certain expenditures are recorded in the accounts only when cash is disbursed.

KRS 45.229 provides that the Finance and Administration Cabinet may, “. . . for a period of thirty (30) days after the close of any fiscal year, draw warrants against the available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during that year or in fulfillment of contracts properly made during the year, but for no other purpose.” However, there is an exception to the application of KRS 45.229 in that regular payroll expenses incurred during the last pay period of the fiscal year are charged to the next year.

The Commonwealth's general-purpose financial statements are presented on the accrual/modified accrual basis of accounting. Therefore, the schedule may not be directly traceable to the general-purpose financial statements in all cases.



**TRANSPORTATION CABINET  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2000  
(CONTINUED)**

**Note 1 - Purpose of the Schedule and Significant Accounting Policies (Continued)**

**Inter-agency Activity** - Certain transactions relating to federal financial assistance may appear in the records of more than one state agency. To avoid the overstatement of federal expenditures, the following policies were adopted for the presentation of the Transportation Cabinet's schedule:

- (a) (a) Federal moneys may be received by one state agency (primary state agency-recipient) and passed through to another state agency (secondary state agency-subrecipient) where the moneys are expended. Except for pass-throughs to state universities as discussed below, this inter-agency transfer activity is reported in the schedule as follows:
- Under the primary state agency, the federal program is reported as a direct program. However, the transfer of money to the secondary state agency is not included in the primary state agency's expenditures.
  - Under the secondary state agency, the federal program is reported as a pass-through program. The expenditure of the transferred moneys is reported in the secondary agency's expenditures.

Because the Transportation Cabinet's schedule excludes federal financial assistance related to state universities, when a state agency passes federal money to a state university, this is reported in the schedule as an expenditure of that state agency.

- (b) Federal moneys received by the Transportation Cabinet and used to purchase goods or services from another state agency are reported in the schedule as an expenditure.

**Note 2 - Type A Program**

Under the provisions of OMB Circular A-133, a Type A program for the Commonwealth means any program for which total expenditures of federal awards exceeded \$14 million for FY 2000. Clusters are a group of closely related programs sharing common compliance requirements. A cluster of programs must be considered as one program for determining Type A programs.

The Transportation had one cash program that met the Type A major program definition for the year ended June 30, 2000:

<b>CFDA #</b>	<b>Program Title</b>	<b>Expenditures</b>
20.205	Highway Planning and Construction	\$517,340,829

**TRANSPORTATION CABINET  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2000  
(CONTINUED)**

**Note 3 - Highway Planning and Construction Program**

The information reported for this program represents the activity of all open projects during the year ended June 30, 2000. These projects were funded from several apportionments. Apportionment refers to federal statutorily prescribed division or assignment of funds. The expenditures reflected on this Schedule of Expenditures of Federal Awards include expenditures for advance construction projects which are not yet under agreement with the Federal Highway Administration (FHWA).

Program Income - The Highway Planning and Construction Program earned program income of \$448,516.52 in the year ended June 30, 2000. This income was earned in the Right-of-Way phase through the rental of real property. Income earned in this manner was classified as a negative expenditure, resulting in a reduction to federal expenditures for the current year.

Prior Year Refunds - Expenditures for the Highway Planning and Construction Program were shown net of any prior year refunds, resulting from a reimbursement of prior year expenditures. Prior year refunds totaled \$3,750,453 for the year ended June 30, 2000.

**Note 4 - Zero Expenditure Program**

These programs had no expenditures during the year ended June 30, 2000. They included programs with no activity during the year, such as old programs not officially closed out or new programs issued late in the fiscal year. They also included programs with activity other than expenditures.

**Note 5 - Subrecipient Activity**

A subrecipient is a non-federal entity that expends federal awards received from a pass-through entity to carry out a federal program. The following list summarizes the amount of federal funds sent to subrecipient.

<b>CFDA #</b>	<b>Federal Program Name</b>	<b>Amount Sent</b>
20.505	Federal Transit - Metropolitan Planning Grants	\$ 283,688
20.507	Federal Transit - Formula Grants	462,471
20.509	Formula Grants For Other Than Urbanized Areas	4,305,006
20.513	Capital Assistance Program For Elderly Persons And Persons With Disabilities	995,615
	Total	<u>\$ 6,046,780</u>

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL**





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
James C. Codell, III, Secretary  
Transportation Cabinet

Report On Compliance With Requirements Applicable To Each  
Major Program And On Internal Control Over Compliance In Accordance  
With OMB Circular A-133 And On The Schedule Of Expenditures Of Federal Awards

Compliance

As part of the Statewide Single Audit of the Commonwealth of Kentucky, we have audited the compliance of the Transportation Cabinet, an organizational unit of the Commonwealth of Kentucky as defined by KRS 12.010, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The Transportation Cabinet's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Transportation Cabinet's management. Our responsibility is to express an opinion on the Transportation Cabinet's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Transportation Cabinet's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Transportation Cabinet's compliance with those requirements.

In our opinion, the Transportation Cabinet complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Report On Compliance With Requirements Applicable To Each  
Major Program And On Internal Control Over Compliance In Accordance With  
OMB Circular A-133 And On The Schedule Of Expenditures Of Federal Awards  
(Continued)

Internal Control Over Compliance

The management of the Transportation Cabinet is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Transportation Cabinet's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal controls used in administering federal financial assistance did not include certain controls relating to the Transportation Cabinet. The consideration of these controls was made by other auditors, whose reports thereon have been furnished to us, and our report presented herein, insofar as it relates to the Revenue Cycle, Purchases/Disbursements, and Payroll Cycle, is based solely or partly on the reports of the other auditors.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we have noted one other matter involving internal control over compliance, which we have reported to management of the Transportation Cabinet and are described in the accompanying schedule of findings and questioned costs.

Schedule Of Expenditures Of Federal Awards

We have audited the general-purpose financial statements of the Commonwealth of Kentucky as of and for the year ended June 30, 2000 and have issued our report thereon dated February 28, 2001. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards of the Transportation Cabinet is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Commonwealth of Kentucky's general-purpose financial statements.

Report On Compliance With Requirements Applicable To Each  
Major Program And On Internal Control Over Compliance In Accordance With  
OMB Circular A-133 And On The Schedule Of Expenditures Of Federal Awards  
(Continued)

Schedule Of Expenditures Of Federal Awards (Continued)

As described in Note 1, the schedule of expenditures of federal awards of the Transportation Cabinet is intended to present only that portion of the expenditures of federal awards of the Commonwealth of Kentucky that is attributable to the transactions of the Transportation Cabinet.

The general-purpose financial statements of the Commonwealth are prepared on an accrual/modified accrual basis of accounting. However, as described in Note 1, the schedule of expenditures of federal awards of the Transportation Cabinet is prepared on the basis of cash disbursements as modified by the application of KRS 45.229. Consequently, certain expenditures are recorded in the accounts only when cash is disbursed. Accordingly, the schedule of expenditures of federal awards is not intended to present the expenditures of federal awards in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effect of the application of a different basis of accounting as explained above, the schedule of expenditures of federal awards of the Transportation Cabinet is fairly stated, in all material respects, in relation to the Commonwealth's general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Schedule of Expenditures of Federal Awards -  
February 28, 2001

July 26, 2001





## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**TRANSPORTATION CABINET  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2000**

**SECTION 1 - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statement Accounts**

Financial Statement Accounts: We issued an unqualified opinion on the Commonwealth's general-purpose financial statements as of and for the year ended June 30, 2000. The Transportation Cabinet was not included in our audit procedures of the general-purpose financial statements. The Transportation Cabinet was audited by an outside CPA firm, whose report was furnished to us, of which the results were included in the general-purpose financial statements.

Internal Control Over Financial Reporting: The Transportation Cabinet's financial statement audit was performed by the outside CPA firm PricewaterhouseCoopers LLP.

Compliance: The Transportation Cabinet's financial statement audit was performed by the outside CPA firm PricewaterhouseCoopers LLP.

**Federal Awards And Schedule Of Expenditures Of Federal Awards**

Compliance: We issued an unqualified opinion on the Transportation Cabinet's compliance with the requirements applicable to its major program.

Internal Control Over Compliance: Our consideration of the Transportation Cabinet's internal control over compliance disclosed no reportable conditions. However, we noted one other matter involving the internal control over compliance that we have reported to management.

Schedule of Expenditures of Federal Awards: We have issued a qualified opinion on the Transportation Cabinet's Schedule of Expenditures of Federal Awards because the schedule was presented on a basis of accounting that was not in conformance with accounting principles generally accepted in the United States of America as described in Note 1 of the schedule. The opinion was issued in relation to the Commonwealth's general-purpose financial statements taken as a whole.

**Identification Of Major Program Audited**

OMB Circular A-133 defines a major program as "a Federal program determined by the auditor to be a major program in accordance with section \_\_.520 or a program identified as a major program by the Federal awarding agency or pass-through entity in accordance with section \_\_.215 (c)." Section \_\_.520 states, "The auditor shall use a risk-based approach to determine which Federal programs are major programs."

The following is a list of Type A programs audited:

<b>CFDA #</b>	<b>Program Title</b>	<b>Expenditures</b>
20.205	Highway Planning and Construction	\$517,340,829

**TRANSPORTATION CABINET  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(CONTINUED)**

**SECTION 1 - SUMMARY OF AUDITOR'S RESULTS (Continued)**

**Dollar Threshold Used To Distinguish Between Type A And Type B Programs**

The maximum dollar threshold used to distinguish between Type A and Type B Programs was \$14,000,000. No Type B programs were audited in FY 2000.

**Auditee Qualified As Low-Risk Auditee?**

The Commonwealth of Kentucky did not qualify as a low-risk auditee.

**SECTION 2 - FINANCIAL STATEMENT FINDINGS**

There were no reportable findings from Transportation Cabinet's financial statement audit conducted by PricewaterhouseCoopers LLP.

**TRANSPORTATION CABINET  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(CONTINUED)**

**SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Other Matters Relating To Internal Control And/Or Compliance:**

**FINDING 00-TC-1: The Transportation Cabinet Should Strengthen Controls In Preparing The Schedule Of Expenditures Of Federal Awards**

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State Agency: Transportation Cabinet

Federal Program: Schedule of Expenditures of Federal Awards

Federal Agency: U.S. Department of Transportation

Pass-Through Agency: None

Compliance Area: None

Amount of Questioned Costs: None

During the audit of the Transportation Cabinet's Schedule of Expenditures of Federal Awards, the following was noted:

- The schedule was not reconciled to MRDB prior to being submitted to the APA.
- Procedures were not in place to ensure that all transfers were accurately reported on the schedule or in the MRDB.

When the schedule is not reconciled to MRDB, there could be several unfavorable results:

- It leaves open the possibility of incorrect information being reported in MRDB and/or incorrect or inaccurate information presented in the schedule
- Information that should be presented in the schedule may be omitted; transfers of federal money may be omitted
- Many errors could go undetected until audit procedures are performed; thus, increasing the work of the auditors and agency personnel due to the need for increased audit procedures and the need for numerous revisions and corrections
- The information presented in MRDB could be reported in an inconsistent manner; thus, making reconciliation procedures difficult to perform
- The schedule may not correspond with other agency schedules reporting transfers to and from the Transportation Cabinet
- Transfers may not be differentiated from other receipts and expenditures

APA Schedule of Expenditures of Federal Awards' instructions state,

Information contained in the schedule should be reconciled to the Management Administrative and Reporting System (MARS), with documentation of the reconciliation retained. This will ensure that the schedule, although based on agency records both manual and automated,

**TRANSPORTATION CABINET  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(CONTINUED)**

**SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Other Matters Relating To Internal Control And/Or Compliance: (Continued)**

**FINDING 00-TC-1: The Transportation Cabinet Should Strengthen Controls In Preparing The Schedule Of Expenditures Of Federal Awards (Continued)**

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will agree to the official accounting records of the Commonwealth, which will have been agreed to the Commonwealth's general-purpose financial statements.

If your agency does not operate through MARS, the schedule should be reconciled to the agency accounting system supporting your agency's financial statements.

This reconciliation should encompass both receipts and expenditures and should be done on a grant-by-grant basis, if possible.

The Transportation Cabinet Representation Letter dated January 10, 2001 asserts, "We have reconciled information contained in the Schedule of Expenditures of Federal Awards – cash programs to the statewide accounting and reporting system."

The narrative updated by Transportation Cabinet personnel covering the schedule preparation states, Transportation personnel, "... only balances back at year end. ... takes the ending balances of receipts and expenditures and reconciles them to MARS. ... Balancing expenditures and revenues to MARS helps reduce the risk of an inaccurate or incomplete schedule to an acceptable level."

APA instructions also state,

Transfers-In (including revenue redistributions) should consist of federal moneys received from other federal grants (either from inside the agency or from another state agency) to fund federal expenditures. When an agency is a subrecipient of another state agency, those moneys received should be shown in this column. If you are not able to determine if you are considered a subrecipient or a vendor, it may be necessary to contact another state agency to determine their treatment of the transaction(s).

All amounts in this column must be explained in the Notes.

**TRANSPORTATION CABINET  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2000  
(CONTINUED)**

**SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Other Matters Relating To Internal Control And/Or Compliance: (Continued)**

**FINDING 00-TC-1: The Transportation Cabinet Should Strengthen Controls In Preparing The Schedule Of Expenditures Of Federal Awards (Continued)**

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Transfers-out (including revenue redistributions) should consist of moneys distributed from the grant to other federal grantors (either to inside the agency or to another state agency) to fund federal expenditures. Transfers between grants with the same agency must agree. Payments made to state agency subrecipients, except to state universities, would be shown in this column. Report federal moneys to a state university as an expenditure in Column H.

All amounts shown in this column must be explained in the Notes.

**Recommendation**

We recommend that the Transportation Cabinet reconcile the Schedule of Expenditures of Federal Awards to MRDB prior to being submitted to the Auditor of Public Accounts to ensure an accurate and complete schedule is submitted and to ensure the information reported in MRDB is accurate, complete, and presented in a consistent manner. We also recommend that the Transportation Cabinet implement procedures to ensure all transfers are accurately reported on the schedule and implement procedures which will allow transfers to be differentiated from other receipts and expenditures in MRDB/MARS.

**Management's Response and Corrective Action Plan**

*We recognize there was a failure to reconcile SEFA to MRDB. This was the result of a change in personnel caused by the transfer of an employee to another cabinet. Division of Accounts managers were assured the SEFA was completed before the employee left, but upon examination, the SEFA had not been reconciled to the MRDB. In the future, the supervisor of the Financial Reporting Section will be in charge of the preparation of the reconciliation which will be reviewed and approved by the General Accounting Branch. To correct the SEFA submitted January 10, 2001, a revised SEFA was submitted April 25, 2001, which does balance to fund 1200 and also balances by grant number. Reconciling accounting entries for FY 2000 were processed in FY 2001. Transfers were correctly reported on the revised SEFA.*

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**



**TRANSPORTATION CABINET  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2000**

**Reportable**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding</b>	<b>CFDA Number</b>	<b>Questioned Costs</b>	<b>Comments</b>
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***(1) Audit findings that have been fully corrected:***

No findings for this section.

***(2) Audit findings not corrected or partially corrected:***

FY99	99-TC-1	The Division Of Right Of Way Should File All Real Property Deeds In Project Parcel Files Timely	20.205	0	Corrective action plan was not implemented until after FY 2000.
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***(3) Corrective action taken is significantly different from corrective action previously reported:***

No findings for this section.

***(4) Audit finding is no longer valid:***

No findings for this section.

**TRANSPORTATION CABINET  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2000  
(CONTINUED)**

**Other Matters**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding</b>	<b>CFDA Number</b>	<b>Questioned Costs</b>	<b>Comments</b>
<i>(1) Audit findings that have been fully corrected:</i>					
FY97	97-TC-4	Deeds For Real Property Acquisition Should Be Recorded At The Courthouse Timely And Immediately Filed In The Right Of Way File Room	20.205	0	Audit finding for the portion pertaining to recording of deeds at the Courthouse has been resolved in FY 2000. The portion of this comment concerning filing of the deeds in the Right of Way file room was upgraded in FY 1999 to a reportable condition. See Summary Schedule of Prior Audit Findings for Reportable comments (99-TC-1).
FY98	98-TC-5	The Transportation Cabinet Should Monitor Construction Projects Ensuring That All Required Documentation Is Maintained In The Files	20.205	0	Finding resolved during FY 2000.
FY98	98-TC-6	Audits On Final Utility Company Bills Should Be Properly Completed	20.205	0	Corrective action plan was implemented during FY 2000.
FY99	99-TC-2	The Division Of Right Of Way Should Retain Proper Documentation For All Relocation Project And Parcel Files	20.205	0	Finding resolved during FY 2000.
FY99	99-TC-3	The Federal Billing Branch Should Implement Stronger Internal Controls Over Its Federal Drawdown Procedures To Ensure The Timely Drawing Of Federal Monies	20.205	0	Corrective action plan was implemented during FY 2000.
FY99	99-TC-4	The Division of Right Of Way Utilities Branch Should Implement Stronger Internal Controls Over Its Authorization Process To Ensure That All Utility Project Agreements Are Properly Approved	20.205	0	Corrective action plan was implemented during FY 2000

**TRANSPORTATION CABINET  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2000  
(CONTINUED)**

**Other Matters** (Continued)

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding</b>	<b>CFDA Number</b>	<b>Questioned Cost</b>	<b>Comments</b>
<i>(2) Audit findings not corrected or partially corrected:</i>					
FY98	98-TC-4	Utility Inspections Should Be Conducted And Documented In The Utility Files	20.205	0	Corrective action plan was not implemented in FY 2000.

*(3) Corrective action taken is significantly different from corrective action previously reported:*

No findings for this section.

*(4) Audit finding is no longer valid:*

No findings for this section.

